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**STATEMENT TO THE LEGISLATURE**

**BY**

**FLOYD LAUGHREN**

**TREASURER OF ONTARIO AND MINISTER OF ECONOMICS**

**ON**

**MAJOR TRANSFER PAYMENTS**

**AND**

**THE ONTARIO FISCAL OUTLOOK**

**NOVEMBER 26, 1992**

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Thank you, Mr. Speaker.

In last year's Budget, the Government made a commitment to three priorities: helping workers and employers prepare for the economy of the future; preserving public services that Ontarians value; and keeping the deficit in check.

When we published last year's Budget we knew the road to economic recovery would be a difficult one. But the problems we face have become more serious than we knew last spring. The economy is recovering more slowly than we and others had forecast, and our revenues, as I indicate in the Fiscal Outlook I tabled today, have also been slow to recover.

We are not alone. Across the industrialized world, economic activity has been slowed, unemployment has been high, and growth is sluggish. Government revenues are weak, and the need to help those who have been hurt by the recession has increased.

However, in the face of these difficulties, we are on target for operating expenditures in 1993-94. But, in the absence of further policy changes, we now estimate our total revenues next year will be \$4.2 billion less than planned in last year's Budget.

Between now and next spring's Budget, we *must* make additional revenue and expenditure decisions to close this revenue gap.

We have already demonstrated that this can be done. This past year, we made significant headway restructuring programs and containing costs. Growth in spending fell to 4.8 per cent, after a decade of increases averaging over 10 per cent. If public debt interest were excluded, growth in operating spending would be 2.8 per cent this year.

Our management of health care costs is a good example of the progress we have made. After 10 years of increases averaging over 11 per cent, the increase for health care spending this year is only 1.6 per cent. This reduction in the growth of the health budget was achieved without major disruptions in service, and with minimal job loss.

The program review and evaluation process we initiated last year was another way we managed to reduce the growth in spending so substantially. This process has led to greater efficiency and reduced costs in a number of programs including legal aid and the Ontario Drug Benefit plan.

Government has cut its own operating costs, excluding salaries, by \$300 million this year. And we have shown leadership by freezing the salaries of Cabinet Ministers, MPPs, and senior managers. Our confidence in collective bargaining has been vindicated; wage increases for employees have been moderate.



Our long-term plan is the right one - we are going to continue to invest in the economy, preserve services, and keep the deficit in check. But in all facets of public service delivery, we must adjust to a difficult fiscal reality -- this is not business as usual.

The government is committed to social programs, and recognizes that during hard times, they are needed more than ever. But we must reduce their costs. It's an on-going process, with long-term benefits.

On that basis, Mr Speaker, we have made certain decisions around payments to our major transfer partners.

Our major transfer partners -- hospitals, schools, municipalities, colleges and universities -- account for approximately 30 per cent of our Budget. Last year we worked with our partners to help them adjust to a one per cent increase in funding -- a big shift after years of increases averaging over 8 per cent. We also gave agencies access to additional resources to help them restructure, through the Transition Assistance Fund.

Agencies were very successful in their restructuring efforts this past year. And in spite of the historically low increase, jobs and services were maintained.

We want to help our partners build on these achievements. Therefore, we are acknowledging our commitment to our major transfer partners this coming year by providing them with a two per cent increase in their funding.

This increase will be a one-time only payment, for 1993-94. It will not go into base funding. Last January, we also announced a two per cent increase for 1994-95. However, given the current fiscal reality, we cannot provide our partners with this increase.

We are capping their base funding for the next two years at the current year's level. This will continue to reduce the spending trend lines in these sectors -- in line with our overall strategy for managing government spending.

In allocating these additional resources this year, we feel that our partners have a reciprocal obligation to the province and to its taxpayers to build on the progress of the past year. Therefore, the additional funding is tied to each sector's plans to reduce costs, maintain priority services and minimize job losses.

We recognize this presents a significant challenge to our partners. Ministers will be working closely with their respective sectors to assist them in developing restructuring plans to meet our mutual goals and objectives.

We have made other decisions.



My colleague, the Minister of Colleges and Universities, will announce the tuition fee increase for the 1993-94 academic year presently. He will also discuss changes to the Ontario Student Assistance Program which will achieve both long-term cost-savings and ensure accessibility to post-secondary education.

Mr. Speaker, we have also made difficult decisions to control spending in other areas. The Chair of Management Board will be discussing the decisions we have reached with respect to compensation, pensions and pay equity in a few minutes.

I want to emphasize that this Government is firmly committed to implementing rights-based pay equity. Our overall funding for pay equity, when fully implemented, will not change. The only change is that the funding will be spent over a longer period.

My colleague, the Minister of Labour, will provide details of the amendments to the *Pay Equity Act* that will expand coverage of the act to 420,000 more working women, many of whom are in the broader public sector.

These decisions to control spending -- decisions on major transfers, the Ontario Student Assistance Program, compensation and pay equity -- are only the government's first steps to deal with the situation presented in the Fiscal Outlook. Nonetheless, for the coming year, these measures will represent savings of \$600 million. And for the 1994-95 fiscal year savings from these measures are estimated at \$1.2 billion.

They are but one component of this government's overall approach to fiscal planning for the 1993 Budget. A committee, composed of deputy ministers and staff from across the government, has ongoing responsibility to provide Treasury Board with a wide range of expenditure restraint options for its consideration.

In addition, we have also set in place a Multi-Year Expenditure Reduction Plan to reduce expenditures in all Ministries over the next three years. This means that across government, ministries will be reforming programs while maintaining priority service.

Through these various decisions: major transfers, tuition fees and OSAP, compensation, pay equity and pensions, we are lowering the trend line in spending.

However, I want to underline that this government is committed to expenditures on training, labour adjustment and infrastructure -- totalling about \$4.5 billion this year -- to support job creation and economic renewal. Through reform and restructuring, we are preserving the services that Ontario values. And in the coming months we will continue to develop our plans for the 1993-94 fiscal year.

Mr Speaker, those are our Budget priorities. We have made a significant start.

We look forward to the input and informed debate of the people of this province as we move into our pre-Budget discussions on how best to meet these challenges.

Thank you.

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